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C O N F I D E N T I A L SECTION 01 OF 02 SHANGHAI 000087

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TREASURY FOR OASIA - DOHNER, HAARSAGER, WINSHIP
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SUBJECT: EAST CHINA SCHOLARS ON TAIWAN'S WHA PROSPECTS, ARMS SALES

REF: A) SHANGHAI 80; B) 2008 SHANGHAI 578; C) 2008 SHANGHAI 526; D) 2008 SHANGHAI 306; E) SHANGHAI 85

CLASSIFIED BY: Simon Schuchat, Deputy Principal Officer, U.S.
Consulate-General Shanghai, U.S. Department of State.

REASON: 1.4 (b), (d)

11. (C) Summary: East China scholars believe China is trying to help Taiwan's ailing economy but criticize Taiwan for treating mainlanders like "third-class citizens." The scholars are optimistic that Taiwan will gain observer status in May's World Health Assembly but express reservations about giving Taiwan too much international space due to Taiwan's domestic political instability. U.S. arms sales to Taiwan remain a big sticking point in Sino-U.S. relations, and the United States should exercise "self-restraint" in future deals, said the scholars.

12. (U) Poloffs discussed the current state of cross-Strait relations with Taiwan scholars in Nanjing, Jiangsu Province on February 10 and with scholars of international relations at Fudan University in Shanghai on February 11. Scholars included Cui Zhiqing, Director of the Taiwan Research Center, Nanjing University; Liu Xiangping, Vice Director of the Taiwan Research Center, Nanjing University; Zhu Mingquan, Professor, Fudan University; Xin Qiang, Deputy Director, Center for American Studies, Fudan University; and Zhang Jiadong, Professor, Fudan University.

China Helping Taiwan's Economy

13. (C) Taiwan President Ma Ying-jeou's main concern now is Taiwan's domestic economy, said Cui Zhiqing and Liu Xiangping of Nanjing University. China is concerned that Taiwan's economic problems will exacerbate political instability on the island and possibly return the independence-minded opposition DPP to power in 2012, they said. The mainland is thus trying to help Taiwan's ailing economy, according to Cui and Liu, by expanding cross-Strait direct links and announcing Chinese loans of USD 19 billion to Taiwan firms in the mainland and plans to buy USD 2 billion of Taiwan's flat panel displays.

But They Treat Us Like Third-Class Citizens

14. (C) However, Cui and Liu were critical of what they perceive as Taiwan's lack of reciprocal goodwill towards Chinese investors and visitors. Cui said mainland companies want to invest in Taiwan but are prevented from doing so by Taiwan's strict regulations on capital inflows and Chinese investment. Liu noted how mainland students are only allowed 3-month stays in Taiwan. Mainlanders are "treated like third-class citizens" by Taiwan, quipped Cui, though "we are all part of the Republic of China!"

15. (C) Liu said many of his graduate students at Nanjing

University specializing in cross-Strait studies are having difficulty finding jobs this year. He hopes that, if restrictions on mainland investment in Taiwan are relaxed, these students will be able to find jobs with Chinese companies looking to invest in Taiwan.

Optimistic About International Space

16. (C) Liu, Cui, and Xin Qiang of Fudan University are optimistic about Taiwan's prospects for gaining observer status at the World Health Assembly (WHA) in May 2009. Xin noted that Taiwan gained access to the World Health Organization's International Health Regulations (IHR) soon after Chinese President Hu Jintao's speech on December 31, 2008, in which President Hu expressed China's willingness to discuss international space issues. It is "very possible" for Taiwan to gain WHA observer status under the name "Chinese Taipei," said Xin, and this would constitute a "big step" for China. However, Cui and Zhu Mingquan of Fudan University expressed reservations about giving too much international space to Taiwan, given the possibility that the DPP might return to power in the future.

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It is "okay" for Taiwan to join WHA now under Ma but would be a problem if the DPP takes over, said Zhu.

Concerns Over U.S. Arms Sales

17. (C) Several Fudan University scholars emphasized U.S. arms sales to Taiwan as one of the biggest sticking points in Sino-U.S. relations (Ref A). Xin Qiang and Zhang Jiadong said the United States remains the "biggest obstacle" to improvement in cross-Strait relations through its political and military support for the island. China has been more "self-constrained" in recent years regarding arms sales, said Xin, noting that 30-40 years ago, China closed down the French Consulate in Guangzhou after France sold arms to Taiwan. Xin hopes that President Obama will follow President Bush's policy of a "cautious, self-constrained" approach toward Taiwan, mindful of China's "core interests."

18. (C) Zhu Mingquan of Fudan believes the issue of U.S. arms sales to Taiwan will not be resolved anytime soon. He says arms sales "realistically cannot be stopped," at least in the near future, since both Taiwan and the U.S. business community want them to continue. Even if the sales continue, Zhu urged the United States and China to establish "real political trust" to avoid any misunderstandings, and the United States should "fully inform" Beijing of its intentions before selling the arms. The United States should also be "self-restrained" in the type and number of weapons sold to Taiwan, avoiding ones that can be construed as offensive in nature, added Zhu.

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